



ASRS REPORT

ARIZONA STATE RETIREMENT SYSTEM

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April 2010

This report provides a briefing of news and notices important to our members, retirees and employer partners, as well as other interested parties. It is produced by the ASRS on a periodic basis and posted to the ASRS website.

ASRS News

Major ASRS Plan Design bill signed by Governor **Impacts primarily new members hired on or after July 1, 2011**

On April 14, Governor Jan Brewer signed into law House Bill 2389, a plan design bill that has significant impacts to the Arizona State Retirement System, primarily affecting new members who join on or after July 1, 2011.

Among the provisions:

Benefit Formula

- Modifies one of the Normal Retirement Date definitions from 80 to 85 points (age + years of service) for a member whose membership begins on or after July 1, 2011. It also modifies the Early Retirement decrements to conform to the 85 point normal retirement for a member whose membership commences on or after July 1, 2011.
- Modifies the Average Monthly Compensation used in a retiring member's retirement benefit calculation from the average of the highest consecutive 36 months in the last 120 months to the average of the highest consecutive 60 months in the last 120 months for a member whose membership commences on or after July 1, 2011.

Withdrawal of Account

Eliminates the refunds of the Employer Contributions portion made on behalf of a member whose membership begins on or after July 1, 2011 when the member terminates employment and chooses to withdraw their account balance. This does not apply for a member who is terminated due to an Employer Reduction in Force or position elimination, in which case the current ASRS vesting schedule will apply.

To emphasize: The above changes will not apply to current ASRS members. They apply to members whose membership begins on or after July 1, 2011.

Other provisions contained in the bill:

Health Insurance Supplement

Removes the ability of a retiree to secure individual health insurance coverage and receive the health insurance supplement if the employer agrees to administer the individual coverage. In order to receive the public subsidy, the retiree must be enrolled in either the ASRS's Group Health Insurance or an Employer's Group Health Insurance. A grandfather clause permits ASRS to continue to pay the supplement to a retiree who is receiving the payment under the current statutory provisions. This provision will become effective on the legislature's general effective date.

- Long-Term Disability Program Appeals
Permits a person appealing an ASRS decision under the LTD Program (usually a decision of an Administrative Law Judge) to request that the ASRS Board hear the appeal in Executive Session, rather than in a Public Hearing. The request must be made at least 48 hours in advance. States that minutes of and discussions held at an executive session are confidential except from the appellant for use in the appellant's further appeal to the Superior Court. This provision will become effective on the legislature's general effective date.
- Makes changes to conform to federal law.
- Makes an administrative appropriation to ASRS.

Coming Soon: ASRS Webinars for New Members!

The ASRS is pleased to announce a new opportunity for members to participate in online meetings!

The ASRS has long offered "Know Your Benefits" meetings to our members at our Phoenix and Tucson office. We've even taken the meeting on the road throughout the state. Now, ASRS members can participate in this meeting online via a new webinar!

"Know Your Benefits" provides an overview of the ASRS and a summary of the many benefits you have as a member. Through this one-hour webinar, members can participate right from their computer. You'll see and hear from one of our Benefit Advisors, follow along with a slide presentation and have the opportunity to email questions in real time. **This will be a great way for new employees to learn about their membership in the ASRS!**

The first webinars are scheduled for April 22, May 18 and June 19.

To learn more, and to sign up, visit our website and look under the Interactive Center tab at the top of our homepage!

Arizona State Retirement System and National Health Care Reform A timeline of potential impacts as of April 1, 2010

With the recent signing of the federal Patient Protection and Affordable Care Act and subsequent Amendment by President Obama, the Arizona State Retirement System has developed the following information related to the potential impact to our members, especially retirees, on the ASRS retiree health insurance program. At this time, it appears there will be a moderate impact to ASRS retirees enrolled in any of the current ASRS health insurance program plans. Premiums, co-pays, coverage and most other aspects of the current ASRS health insurance plans will remain unchanged by the new legislation.

Some of the relevant provisions in the legislation, and the impact to the ASRS this year, are as follows:

- Establishment of a national high-risk health insurance pool to provide affordable coverage for the uninsured with pre-existing medical conditions (effective 90 days after enactment until Jan. 1, 2014).
Impact to the ASRS: ASRS retiree health insurance programs currently allow enrollment for any qualified retiree with no restrictions to those with pre-existing medical conditions.
- Dependent children coverage extended to age 26.
Impact to the ASRS: ASRS retiree health insurance program currently allows coverage extension to dependent children through age 25 (which is the same as "to age 26").

- Elimination of lifetime limits and bars canceling coverage except for fraud.
Impact to the ASRS: This provision will have a positive impact for ASRS retirees enrolled in the Senior Supplement and non-Medicare PPO plans. Current limits to coverage on these ASRS plans range from \$2 million to \$5 million in lifetime coverage, although historically lifetime limits have rarely been an issue for retirees. ASRS retirees enrolled in the non-Medicare HMO and MedicareComplete plans already enjoy no lifetime limits.
- Narrows the Medicare Part D prescription drug coverage gap by providing up to a \$250 rebate from the federal government for insured members in the donut hole who are also not eligible for the Low Income Subsidy.
Impact to the ASRS: Medicare eligible ASRS retirees enrolled in the Senior Supplement plan would benefit from this requirement because that plan has a Medicare Part D equivalent drug plan with a donut hole. Enrolled retirees in the MedicareComplete plan have no prescription drug coverage gap and, as a result, do not have a donut hole in their prescription drug coverage.
- Medicare payments to hospitals, home health agencies, nursing homes, and hospices will be reduced.
Impact to the ASRS: This provision may cause medical loss ratios (medical expenses to revenue) to increase causing upward pressure on future plan premiums.
- Prohibits insurers from denying coverage to children under age 19 with pre-existing medical conditions.
Impact to the ASRS: The ASRS retiree health insurance program currently allows enrollment of any eligible dependent child regardless of pre-existing medical conditions.

For updates and to learn more as information becomes available, visit our website.

Member Meetings

Educational Meetings Offered to Inform, Assist Members

The Member Services Division of the ASRS conducts educational meetings available to all members. Whether you're newly hired and want to learn about the benefits available to you, or you're ready to retire and want assistance filling out your paperwork and making annuity selections, the ASRS has a meeting for you.

Know Your Benefits

This meeting is especially beneficial to new members. You'll learn about the many benefits of belonging to the Arizona State Retirement System, including a history and overview of the ASRS, how your pension is calculated and how to maximize your future benefit, member responsibilities, disability and survivor benefits, options should you leave ASRS employment, and more. Also covered will be the Service Purchase benefit, through which a member may purchase, under certain circumstances, time they worked under other qualified employer plans.

Getting Ready for Retirement

This meeting is vital for members who are planning to retire within a year. You'll learn about your pension benefit and how it's calculated, options for retiree health insurance and other benefits, return to work options and more. Members who register for this meeting will receive a personal benefit estimate and assistance in filling out the proper paperwork.

Know Your Insurance

This meeting has been created to provide information to members about the ASRS health insurance plans and benefits. Members planning to retire soon are encouraged to attend. You'll learn about health insurance options, meet the insurance carriers, learn about the ASRS Premium Benefit program, and other benefits available to you.

Visit our website and click on the “Member Education” section to see a full listing of meetings taking place in Phoenix, Tucson and throughout the state at various locations. Reservations are required and can be made by calling our Member Advisory Center at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or (800) 621-3778 outside Phoenix and Tucson.

ASRS Board & Committee Meetings

ASRS Board of Trustees

Friday, May 21, 8:30 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 10th floor Board Room.

Operations Committee

Thursday, April 22, 10:30 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

External Affairs Committee

Friday, May 7, 10 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Investment Committee

Monday, June 14, 2:30 p.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of meetings are posted on our website and are available at our Phoenix and Tucson offices.